

Fact Sheet

Energy Efficiency for Rental Properties in Victoria

Investments in energy efficiency and electrification increases dwelling values

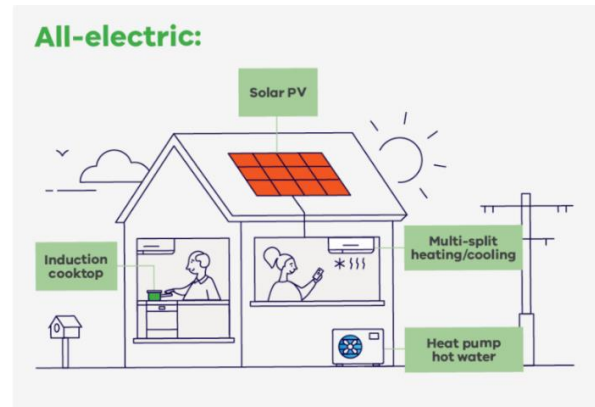
- Global evidence shows energy efficiency upgrades raise property values and premiums when leased.
- A 2011-2016 MelbUni study on Australian Capital Territory (ACT) property transactions found 5 and 6-star energy homes had sale premiums of 2 and 2.4%, compared to 3-star properties, averaging a \$20,000 premium for Melbourne houses.
- Further efficiency upgrades led to even higher prices, with 7-star properties attracting sale premiums of up to 9.4%.
- Rental properties with 5 and 6-star energy ratings leased at a 3.5 and 3.6% premium, compared to 3-star properties.
- Domain Sustainability in Property Report 2022 found that in the ACT, a higher energy-efficiency rating (EER) relates to a higher price per square metre for houses. The report observed a consistent increase in price with higher EER across the ACT.
- More than half of Domain advertisements in 2022 included keywords related to energy efficiency.

The Victorian Government will improve minimum energy efficiency standards for rental properties in 2024

- Rental homes in Victoria must have a fixed heater in the main living area with at least a 2-star energy rating.
- The December 2023 Gas Substitution Roadmap update committed to new energy efficiency standards for rental homes. Public input on these standards will be sought in 2024.
- Proposed new standards include ceiling insulation, draught sealing, hot water, cooling and a revised heating standard, as well as a heating standard for rooming houses.

The Victorian Government supports rental providers to invest in energy efficiency and electrification

- Discounts are available for energy efficient upgrades through the Victorian Energy Upgrades (VEU) program, including replacing a gas heater with a reverse cycle air conditioner or switching a gas hot water heater with a heat pump. VEU offers home energy rating assessments for targeted recommendations on improving energy efficiency.
- Solar for Rentals offers eligible landlords a rebate of up to \$1,400 for the installation of solar panels (PV), slashing the upfront costs of solar while raising the value and appeal of their property.
- Eligible rental providers can apply for an interest-free loan of up to \$1,400 to further reduce the upfront cost of the solar panel system.
- Victorian Energy Compare helps customers find the lowest price energy offer.



New energy efficiency standards are not expected to impact rental supply

- Australian Housing and Urban Research Institute research suggests that changes to increased minimum standards do not significantly influence landlords leaving the market.
- In 2022, Analysis by REA Group's PropTrack found new standards have not led to an increase in rents and sales by landlords, according to data released one year later.